

Message Text

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ACTION ARA-10

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FM AMEMBASSY PORT AU PRINCE

TO SECSTATE WASHDC 9942

LIMITED OFFICIAL USE SECTION 1 OF 2 PORT AU PRINCE 1312

E. O. 11652: N/A

TAGS: EFIN, EINV, HA

SUBJECT: DUPONT CARIBBEAN CLAIM AGAINST GOH

REF: PAUP 1092 AND 1081; STATE 103655

1. EMBASSY'S SUMMARY REVIEW OF PIERSON CLAIM SHOWS A NUMBER OF QUESTIONABLE ITEMS, REPORTED AS INVESTMENTS. IN ADDITION, NO ALLOWANCE WAS MADE FOR INCOME RECEIVED FROM SALES OF LAND AND THERE ARE DOUBLE ENTRIES THROUGHOUT. IT IS DIFFICULT TO SEE HOW A CLAIM FOR ACTUAL OUT-OF-POCKET EXPENSES OF AS MUCH AS \$100,000 WOULD BE JUSTIFIED.

2. IN THE VIEW OF THE EMBASSY, THE FOLLOWING KNOWN RECEIPTS BY PIERSON AND/OR DCI SHOULD BE BALANCED AGAINST CLAIMED EXPENDITURES:

(A) ACCORDING TO ITEM III OF CLAIM, DCI RECEIVED \$408,000 FROM TRANSLINEAR IN CONNECTION WITH A SALE OF LAND ON TORTUGA WHICH WAS USED TO PAY CERTAIN ACCOUNTS AND BILLS OWED BY PIERSON. THERE SHOULD EITHER BE A CREDIT ENTRY OF \$408,000 OR ITEM III SHOULD BE ELIMINATED.

(B) AMONG THE BILLS PAID WITH THE SUM NOTED IN (A) ABOVE, WERE A NUMBER OF NOTES: \$65,524 OWED TO EASTLAND NATIONAL BANK; \$22,100 OWED TO TRANSLINEAR FOR A LOAN TO DCI; \$50,000 FROM DORAN; AND \$15,000 OWED TO WAGGONER AND HAVELICK, TOTALING \$152,624. IF THE ORIGINAL LOANS WERE USED TO PAY THE BILLS ITEMIZED IN SECTION I OF THE PIERSON CLAIM, WOULDN'T THIS RESULT IN GIVING DOUBLE VALUE TO A SINGLE INVESTMENT?

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(C) SECTION IV OF THE PIERSON CLAIM INVOLVES MORE DOUBLE

ENTRY. IT REPORTS THAT PROPERTY WAS SOLD TO INTERNATIONAL BUSINESS VENTURE FOR \$250,300 CASH OF WHICH \$119,000 WAS DIRECTLY

INVESTED IN THE PROJECT. THUS, THERE WOULD REMAIN A NET CREDIT OF \$131,000 FROM THE SALE TO BALANCE AGAINST PIERSON'S EXPENDITURES. FURTHERMORE, THE CLAIM OF \$119,000 SHOULD MORE APPROPRIATELY BE BROUGHT BY INTERNATIONAL BUSINESS VENTURE.

(D) ACCORDING TO THE APRIL 1972 CONTRACT BETWEEN TRANSLINEAR AND DCI, TRANSLINEAR, IN ADDITION TO PAYING THE BILLS NOTED IN (A) ABOVE, AGREED TO PAY DCI THE SUM OF \$15,000 PER MONTH. THUS A TOTAL OF \$180,000 WAS PRESUMABLY PAID TO PIERSON FROM 4/1/72 THROUGH 3/1/73 (COPIES OF AT LEAS SOME OF THESE CHECKS ARE AVAILABLE IN HAITI THROUGH THE LAWYER FOR TRANSLINEAR). AFTER MARCH 1, 1973, THE TRANSLINEAR CHECKS WERE PLACED IN ESCROW IN TEXAS AND, UNDER THE SEPTEMBER 1974 COURT SETTLEMENT BETWEEN DCI AND TRANSLINEAR, \$50,000 FROM THE SUM IN ESCROW WAS GIVEN TO DCI. THUS, PAYMENTS FROM TRANSLINEAR FOR LAND TOTALED \$230,000 IN ADDITION TO THE \$408,000 PAID TO PIERSON'S CREDITORS.

(E) WITH RESPECT TO ITEM XV, THERE SHOULD BE AN ACKNOWLEDGMENT OF RECEIPT OF \$25,000 AS A BALANCE TO THE DEBT.

(F) TWO LOCAL LAWYERS SHOWED TO EMBECONOFF AND TO JOAQUIN MARQUEZ (LA/GC) THE COPY OF A CONTRACT BETWEEN THE GERMAN-HAITIAN INVESTORS GROUP AND DUPONT CARIBBEAN WHEREIN DCI CONVEYED TO FORMER 3,000 ACRES OF THEIR CHOICE OF LAND ON TORTUGA IN EXCHANGE FOR \$10.00 "AND OTHER VALUABLE CONSIDERATIONS". THE LAWYERS HAD BEEN TOLD THAT AN ADDITIONAL UNDISCLOSED SUM OF MONEY CHANGED HANDS AS PART OF THE "OTHER VALUABLE CONSIDERATIONS".

(G) THUS, WITHOUT TAKING INTO CONSIDERATION (F) OR ANY OTHER POSSIBLE RECEIPTS, ITEMS III, IV, AND XV OF PIERSON'S CLAIM SHOULD BE ELIMINATED, AND A MINIMUM OF \$513,624 IN RECEIPTS SHOULD BE USED TO OFFSET ANY ACTUAL PROVEN EXPENDITURES BY PIERSON.

3. WITH RESPECT TO THE PAYMENT DUE BRUBBS FOR PREFABRICATED HOUSE AND OFFICE BUILDING (ITEM X), THE EMBASSY UNDERSTANDS THAT THE PROPERTY WAS CONSIDERED IN THE 1974 SETTLEMENT BETWEEN TRANSLINEAR AND DCI, AND THAT PIERSON RETAINED RIGHTS TO THE PROPERTY IF HE REMOVED IT BY JANUARY 1975; OTHERWISE TRANSLINEAR WOULD RETAIN TITLE. SINCE THE GOH DID NOT RECEIVE THE PROPERTY, SHOULD LIMITED OFFICIAL USE

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THEY HAVE TO PAY FOR IT? IT ALSO APPEARS SOME PAYMENTS WERE FOR A CESSNA AIRCRAFT. DOES ANYONE KNOW WHAT HAPPENED TO IT? DID PIERSON RETAIN OR SELL IT?

4. PAPER LOSSES AND LOSSES OF PROSPECTIVE PROFITS WOULD NOT APPEAR TO BE A SUITABLE BASIS FOR A CLAIM, PARTICULARLY SINCE IT SEEMS THAT PIERSON DID NOT LIVE UP TO HIS COMMITMENTS IN THE CONTRACT. ACTUAL OUT-OF-POCKET EXPENDITURES BY PIERSON WHICH

MICHT SERVE AS A BASIS FOR A CLAIM WOULD THEREFORE APPEAR TO BE LIMITED TO THOSE LISTED IN ITEMS I, II, V AND VI, FOR A TOTAL \$681,220.51. IF THE COMPANY/PIERSON'S INCOME AS LISTED IN PARAGRAPH 2 ABOVE IS DEDUCTED, NET EXPENDITURES WOULD TOTAL \$167,569.51.

5. A BRIEF REVIEW OF THE PAYMENTS LISTED IN PART I OF PIERSON'S CLAIM RAISES A NUMBER OF QUESTIONS WHICH COULD REDUCE THE CLAIM EVEN FURTHER.

(A) CERTAIN CHECKS (INCLUDING \$1,000 TO GRAY INVESTMENT CO., \$6,000 TO ANN PIERSON AND \$5,000 TO MRS. DON PIERSON) WOULD APPEAR TO BE LOAN REPAYMENTS, BUT ARE NOT SHOWN AS SUCH ON THE OVER-ALL CONSOLIDATION SHEET AND DEDUCTED FROM THE TOTAL CLAIM AS OTHER LOAN REPAYMENTS ARE.

(B) FOUR CHECKS TOTALING \$576.44 ARE LISTED ON THE BOTTOM OF PAGE 11 AND REPEATED ON THE TOP OF PAGE 12.

(C) THE STAMP ON THE FACE OF A CHECK DATED OCTOBER 20, 1971, IN THE AMOUNT OF \$15,000 TO B & S EQUIPMENT OF PORTSMOUTH, VIRGINIA, (P. 95) SEEMS TO READ "NOT PAID".

(D) EMBASSY QUERIES THE LEGITIMACY OF THE CLAIM THAT PURCHASE OF A \$4,000 AUTOMOBILE FOR USE IN TEXAS, PLUS ALL GAS, OIL, AND ALL MAINTENACE CHARGES, PAYMENT OF PIERSON'S PERSONAL INSURANCE AND HOSPITAL BILLS, PLUS OTHER QUESTIONABLE ITEMS SHOULD ALL BE CHARGED AGAINST A SUPPOSED INVESTMENT IN HAITI.

(E) THE EMBASSY NOTES THAT CHECKS TOTALING \$8,350 WERE SENT TO WEBER T. ALEXANDER. AT THAT TIME, ALEXANDER WORKED FOR THE

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ACTION ARA-10

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FM AMEMBASSY PORT AU PRINCE
TO SECSTATE WASHDC 9943

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NATIONAL BANK AND IN SEPTEMBER 1972 WAS APPOINTED BY THE PRESIDENT

OF HAITI AS ONE OF THE TWO GOH MEMBERS ON THE FREEPORT AUTHORITY BOARD. THE OTHER HAITIAN MEMBER OF THE BOARD RECEIVED NO PAYMENTS. EMBASSY WONDERS IF ALEXANDER WAS CONSIDERED AN EMPLOYEE OF DCI AND IF THE PAYMENTS WERE IN ACCORDANCE WITH HAITIAN LAW?

(F) THE EMBASSY CONSIDERS THERE IS A POSSIBILITY OF SOME DUPLICATION IN THE BILLS PAID BY EQUITY CAPITAL MANABEMENT CORPORATION, PP. 15 THROUGH 19 OF EXHIBIT A, AND THOSE ASSUMED BY TRANSLINEAR AND PAID IN ACCORDANCE WITH THE APRIL 1972 CONTRACT. FOR EXAMPLE, BOTH SHOW PAYMENTS OF \$50,000 TO DORAN, AND SEVERAL OTHER SMALL PAYMENTS SEEM IDENTICAL. HOWEVER, THERE IS NO WAY OF CONFIRMING OR REFUTING THIS WITH THE INFORMATION AVAILABLE HERE. IT MIGHT BE WORTHWHILE TO CHECK WITH WILLIAM CROOK OF TRANSLINEAR, WHO SIGNED MANY OF THE MANAGEMENT ACCOUNT CHECKS, TO DETERMINE THE SOURCE OF THE RESOURCES (A TOTAL OF OVER \$228,000 FOR PAYMENTS MADE), AND IF THERE WERE ANY DUPLICATIONS LATER WITH TRANSLINEAR PAYMENTS.

6. ALTHOUGH EMBASSY IS AWARE THAT IT IS REALLY UP TO THE GOH TO ARGUE AGAINST PIERSON'S CLAIM IN DETAIL, PRESENTATION OF A CLAIM OF SUCH A MAGNITUDE WITH SO MANY HOLES (AT LEAST TO NON-ACCOUNTANTS) WOULD ONLY RECONFIRM GOH IN ITS ALREADY FIRM BELIEF THAT PIERSON IS AN ADVENTURER WHO DIDN'T INVEST A PENNY OF HIS OWN MONEY. IT WOULD BE COUNTER-PRODUCTIVE, BOTH FOR PIERSON AND FOR THE U.S. GOVERNMENT, TO BECOME INVOLVED IN ANYTHING LESS THAN AN IRREFUTABLE PRESENTATION.

7. PIERSON FILE POUCHED TO STRASSER ARA LA/CAR ON MAY 30, 1975.

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